

Conversation with Alex Rugamba and Angela Nalikka on July 30, 2013

Participants

- Alex Rugamba - Director for Regional Integration and Trade, African Development Bank
- Angela Nalikka - Chief Investment Officer, African Development Bank
- Elie Hassenfeld - Co-Founder and Co-Executive Director, GiveWell
- Sean Conley - Research Analyst, GiveWell

Note: This set of notes was compiled by GiveWell and gives an overview of the major points made by Alex Rugamba and Angela Nalikka.

Summary

GiveWell spoke with Alex Rugamba and Angela Nalikka as part of its shallow investigation of developing-world infrastructure, i.e., supporting the construction of roads, access to electricity or Internet, etc. GiveWell inquired about the importance of supporting projects in their earliest stages and existing sources of funding for infrastructure projects.

Early-stage projects

In an earlier conversation, Bobby Pittman told GiveWell that more funding is needed for the early stages of infrastructure projects

([http://www.givewell.org/files/conversations/Bobby%20Pittman%2007-03-13%20\(public\).pdf](http://www.givewell.org/files/conversations/Bobby%20Pittman%2007-03-13%20(public).pdf)). GiveWell asked Mr. Rugamba and Ms. Nalikka for their opinions on this view.

The need for additional funding

Early-stage funding generally refers to funding for feasibility studies and detailed design. These stages cost approximately 10% of the overall budget of a project. The availability of grant funding is probably the main limiting factor for early-stage projects. Once these stages are complete, it is relatively easy to get funding for a project from public or private sources. More early-stage grant funding for infrastructure projects is currently needed. Lenders are hesitant to provide funding because projects at this stage are risky.

Project preparation facilities

There are about 50 project preparation facilities in Africa, 15 of which play a significant role in early-stage infrastructure project development. Many of them are underfunded. Funding for these facilities grew from roughly 10 million USD in 2005 to 80 million USD in

2010. The Programme for Infrastructure Development in Africa (PIDA) estimated that, for the years 2012 to 2020, 200 to 500 million USD per year is required for early-stage project development.

African Development Bank's work on early-stage infrastructure development

The Africa Development Bank provides grant funding for both early-stage and later-stage infrastructure projects. It cannot move more of its funding from late-stage to early-stage projects because of its responsibilities to its shareholders (African and other donor countries).

The African Development Bank hosts a project preparation facility, the NEPAD Infrastructure Project Preparation Facility (NEPAD-IPPF). Since its inception in 2005, NEPAD-IPPF has participated in preparations of about 60 projects and has spent 50 million USD on these projects. It is looking to raise an additional 200 million USD to expand the number of projects it funds. Donors to this facility include Canada, Denmark, Norway, the UK, Germany, Spain, and the African Development Bank. Close to 100 million USD has been pledged by donors to the facility since its inception, and about 75 million USD has been received.

In addition, the African Development Fund, part of the African Development Bank Group, spends about 30-40 million USD each year on early-state infrastructure project development. Considering all types of projects, in the period between 2008 to 2012 the African Development Bank spent about 1.3 billion USD on grants for infrastructure projects.

The Bank is in the process of setting up a new funding vehicle, the Africa50 Fund, which will focus on commercially viable projects. It will have two parts: project development and project finance. The project development part will work to incentivize private-sector investment in the early stages of projects via risk equity, payback, and revolving fund schemes.

Existing sources of funding for infrastructure

Major funders of infrastructure development in Africa include:

- World Bank, including the International Finance Corporation.
- African Development Bank.
- The commercial sector.
- Governments.
- Public-Private Infrastructure Advisory Facility (which is hosted by the World Bank and based in DC).

- InfraCo (which is funded by the Private Infrastructure Development Group)
- National development organizations such as the UK's Department for International Development, the Canadian International Development Agency, Germany's KfW, France's Agence Française de Développement and the US Agency for International Development (USAID).

At the end of June, President Obama announced an initiative to invest in African energy infrastructure called Power Africa. It will focus in part on the regulatory environment and policy constraints. Regulatory changes in the telecommunications industry previously led to significant increases in private sector investment and it is hoped that investment in energy will increase as a result of similar changes in that sector.

Other ideas for philanthropists

A philanthropist could provide training to people living near infrastructure projects to help them qualify for jobs generated by the project.

Among the various types of infrastructure projects, a philanthropist should consider focusing on energy, which adds value through increased productive capacity, and transportation, which leads to increased access to markets and agriculture.

All GiveWell conversations are available at <http://www.givewell.org/conversations>